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## EU-28

### Grain and Feed Annual

**2014**

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**Report Highlights:**

The outlook for the MY2014/15 EU28 grain crop is positive with another sizeable crop forecast. The winter crops benefitted from good planting conditions and a mild winter. Normal spring planting is now under way. Feed grain consumption in MY2014/15 is forecast down, albeit following a significant upturn in MY2013/14 which is seeing a move towards corn and barley from wheat - the latter benefitting from strong demand on third country export markets. Industrial grain usage is again forecast to rise but with a changing mix of grains. The MY2014/15 balance suggests that the EU28 will again be able to meet export demand, most notably from North Africa for wheat, but much will ultimately depend on the size and quality of the harvest. Another unknown is the export situation in Ukraine, both a key supplier to the EU28 market as well as a competitor.

## **Introduction**

This report presents the first outlook for grain and feed, and Production, Supply and Demand (PS&D) forecasts for the Marketing Year (MY) 2014/15. Unless stated otherwise, data in this report is based on the views of Foreign Agricultural Service analysts in the EU28 and is not official USDA data.

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HA = Hectares

MT = Metric Tonne

MY = Marketing Year. Post and USDA official data both follow the EU28 local marketing year of July to June except for corn which follows an October to September calendar.

TY = July to June for wheat and October to September for coarse grains

## **Executive Summary**

EU28 farmers are expecting a sizeable grain crop of 296 MMT in MY2014/15. This follows the 302 MMT grain crop in MY2013/14 and, if realized, will be the third largest crop in a decade, the record being 312 MMT in MY2008/09. Contrary to expectations this time last year, stock recovery is expected to be very limited in MY2013/14 due to a combination of strong domestic consumption and expected record wheat exports. With total domestic consumption forecast little changed in MY2014/15, stocks are currently forecast to fall once again, even with a forecast reduction in exports. Much will depend on the ultimate size and quality of the EU28 crop although another unknown is the export situation in Ukraine, both a key supplier to the EU28 market as well as competitor on third country export markets.

Generally, conditions are pointing towards a good MY2014/15 harvest, both in terms of size and quality. Plantings of the winter crops went very well, the only delays of note being in the Czech Republic as a consequence of a late harvest. A wet fall across much of Europe saw crops planted and developing in soils with good moisture levels, the exception being Hungary which has seen precipitation at 50 per cent of the 30 year average in some regions. Although Romania and Bulgaria both had reduced year-on-year snow cover, plentiful rain in the spring means that both their wheat and barley crops are reported to be developing very well. A lack of winterkill and an early start to the growing season resulted in good crop development in Poland and Germany. In the south, both Italy and Spain also report good crop development, buoyed by plentiful rains in February. The latter is reporting excellent soil moisture levels and reservoir supplies which bodes well for the future development of the crop. Both France and the UK experienced a very wet winter. Indeed, the UK had its wettest winter on record. This has seen flooding in some areas but the impact on arable crops is expected to be limited. More of a concern has been the impact of a high water table and standing water in fields for spring plantings but with March has come a dry spell allowing these fields to drain and spring plantings to commence. The milder winter temperatures in the UK and France have also encouraged excessive growth, meaning increased likelihood of lodging come harvest, and disease pressure.

Looking forward to the EU28 corn plantings, both Romania and Bulgaria had reported producer concerns regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family. In Romania, this has abated following the Ministry of Agriculture's decision to temporarily authorize the utilization of these three insecticides for a limited timeframe and subject to conditions agreed with the seeds companies. Bulgaria is expecting to see increased planting density in an effort to offset the impact of the pesticide rule change.

Forecast MY2014/15 EU28 grain production exceeds domestic consumption by nearly 18 MMT. After a sharp recovery in feed grain consumption in MY2013/14, which saw a move towards corn and barley from wheat, MY2014/15 is forecast to see a marginal decline. An increase is again seen in food, seed and industrial (FSI) use of grain, predominantly due to continued increases in grain used for renewable transportation fuels. Interestingly, with margins being squeezed in the sector, the mix of grains being used in MY2013/14 has changed, with corn and even barley being substituted for wheat due to the increased prices being achieved for the latter on export markets. Third country imports, principally corn, are projected to decline as compared to MY2014/15, themselves down on MY2012/13. This season's demand for corn has been fuelled by the very strong pace of wheat exports, forecast to reach 28 MMT due to ongoing demand, principally from North Africa. However, wheat exports in MY2014/15 are forecast to fall back slightly to a still substantial 25 MMT. Total grain stock levels remain relatively low meaning there is little room in the balance for a supply shock should the current grain harvest

forecast not be achieved or the situation in Ukraine impacts on the global trade balance - not only is Ukraine a source of grains for the EU28, it also a competitor on third country markets . Although grain exports from Ukraine are reported to be unaffected at this time, recent rises in futures prices suggest the market is nervous looking forward.

## Wheat

Wheat European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25,967	25,940	25,714	25,750		26,350
Beginning Stocks	13,558	13,558	10,079	10,483		11,033
Production	133,878	133,825	142,886	143,250		144,750
MY Imports	5,264	5,277	4,000	3,800		4,300
TY Imports	5,264	5,277	4,000	3,800		4,300
TY Imp. from U.S.	959	967	0	0		0
Total Supply	152,700	152,660	156,965	157,533		160,083
MY Exports	22,621	22,677	29,000	28,000		25,000
TY Exports	22,621	22,677	29,000	28,000		25,000
Feed and Residual	50,500	51,000	48,000	50,500		54,500
FSI Consumption	69,500	68,500	69,250	68,000		68,500
Total Consumption	120,000	119,500	117,250	118,500		123,000
Ending Stocks	10,079	10,483	10,715	11,033		12,083
Total Distribution	152,700	152,660	156,965	157,533		160,083
1000 HA, 1000 MT, MT/HA						

EU28 wheat production is currently forecast to rise to nearly 145 MMT in MY2014/15, an increase of over 1.75 MMT from a year earlier, and the largest since the record harvest of MY2008/09. Similarly, the area forecast to be planted to wheat, at 26.4 MHa, is the largest since the record year and marginally up on MY2013/14. With the EU28 having experienced good over winter conditions and a positive start to the spring, producers are hoping for good yields.

Both Bulgaria and Romania experienced very favorable weather in the fall and planting was carried out on time and in good conditions. The winter was both warmer and dryer than average, with reduced snow cover, but plentiful rains in most areas in the spring mean earlier concerns regarding sub-surface soil moisture have largely diminished. It is still the case that without more rain the wheat crop will be exposed to more risk but at the current time yields are expected to be very good, but not record high.

Both the Bulgarian and Romanian wheat acreage is forecast marginally lower year-on-year, in the former due to a partial recovery in the area planted to rapeseed and in the latter due to an expansion in the barley and rapeseed areas.

In Hungary, the area planted to wheat is forecast unchanged but after a severe drought in the summer of 2013, autumn and winter brought insufficient precipitation as well. In Central and South-Eastern Hungary, precipitation received during the last six months is only half of the long term (last 30 years)

average precipitation. However, that rainfall has been frequent and, in combination with a mild winter, the crop is reported to be developing well. That same weather has increased the risk of insect pests, due to a high survival rate, and above average fungus infestation. Even with substantial rains in the coming months, average yields are the best producers foresee. Similarly, in contrast to the traditional concerns regarding frost damage, the late planted winter wheat crop in the Czech Republic has over wintered well but is also reported to be in need of rain. Both Poland and Germany report very limited winterkill on little changed wheat areas but while the crops are reported to be in good condition, slightly diminished yields are expected year-on-year following the highs in MY2013/14.

Despite a wet fall, winter plantings are reported to have gone well in Italy. January temperatures were then favorable, heavy rains in February positive for crop development, and dryer conditions in March have assisted nitrogen applications. The soft wheat area is down marginally while that for durum is unchanged. The Spanish wheat crop is also developing well, plentiful winter rains not only meaning there is good soil moisture levels but also full reservoirs. The area planted to wheat is little changed year-on-year and with yields currently expected to be good, but not as good as the record seen in MY2013/14, production in Spain is forecast down slightly year-on-year.

Unlike much of the rest of the EU28, parts of France and the UK have experienced a very wet winter. Indeed, the UK has experienced record rainfall. In France, the wheat area is forecast up marginally while the UK wheat area is forecast to fully recover after the significant weather driven switch to barley in MY2013/14. The wet conditions in both countries mean the plant root systems are not well developed which may leave them more susceptible to dry conditions in the coming months but at this time soil moisture levels are very high. The milder winter temperatures have also encouraged excessive growth, meaning increased likelihood of lodging come harvest, and disease pressure. Further, fertilizer and pesticide applications have been delayed, increasing the risk of lower protein content, although the latter part of March has seen dryer weather in both countries.

In summary, the sentiment is good but with the EU28 entering a critical yield and quality determining weather period, this could change. Any downward movement in yield expectations or reduction in likely quality will be of interest to the market given the tightness in the EU28 balance this season and the prospect of limited carry in stocks from MY2013/14.

Regarding the current season, production is now expected to have reached 143 MMT, up nearly 10 MMT on MY2012/13. Despite this, total EU28 domestic wheat consumption in MY2013/14 is forecast to fall 1.5 MMT year-on-year. The reduction can entirely be accounted for by reduced wheat use in the industrial sector, principally in the Benelux where biofuels manufacturers have switched towards other grains, mainly imported corn from Ukraine and South America. More interestingly, feed use is expected unchanged in MY2013/14 - masking circa 500,000 MT declines in France, the UK and the Nordic countries and increases in several other countries. Spanish feed use of wheat is expected up nearly 1 MMT. But the real story, and the reason that domestic consumption has not increased in line with production, is the significant and sustained demand for EU28 wheat on third country export markets. This has supported wheat prices and the substitution of other grains, a lot of it the aforementioned imported corn.

Wheat export licenses issued through end-March amount to nearly 23.5 MMT, with recent weeks each seeing around 600,000 MT of new licenses being granted and the latest week nearly 900,000 MT. With

three months of the season to go, and most export licenses valid for 60 days, expectations are for a record EU28 wheat export number, currently pegged at 28 MMT. This is slightly below previous expectations following the recent Ukraine driven rally in wheat prices and good prospects for the EU28 2014/15 wheat harvest, the latter meaning some export purchasers may wait on new crop availability. The principal exporter, as always, is France although the lower protein content of its MY2013/14 crop has seen its increased export volume tempered, in part, by increased exports from Germany. The latter has seen good export volumes to both North African and Middle Eastern countries, including Algeria, Sudan, Saudi Arabia and Iran. Romania has also captured good export market share, recording 2.7 MMT of wheat exports in the first six months of the season to destinations including Egypt, South Korea, Syria and Jordan. Main overall destinations for EU28 wheat thus far this season, in rank order, have been Algeria, Saudi Arabia, Iran and Egypt, followed by Syria, Morocco, Libya and Tunisia. With imports not expected to reach 4 MMT, largely due to reduced imports by Spain and despite the recent European Commission announcement of duty free access for Ukraine (see policy section), ending stocks are forecast little changed on the low level recorded in MY2012/13.

Looking towards MY2014/15, with the forecast area planted to wheat up 600,000 Ha and the winter crop reported to be developing well, another large crop is forecast, up a further 1.5 MMT. The plentiful supplies mean MY2014/15 imports of wheat are currently expected to reach just 4.3 MMT. Feed consumption of wheat is forecast to rise 3.5 MMT next season, largely due to a reduction in feed use of corn, but also mixed grain and barley. The main gains are expected to be seen in France, the UK, Spain and Denmark. Food, Seed & Industrial (FSI) usage is expected to be up marginally in MY2014/15. With food and seed use forecast little changed, the increase is mainly due to increased starch production both in Austria and in France. In the latter, demand for by-products such as gluten means some biofuel plants are expected to switch from using wheat grain to using wheat starch. Some increase in wheat use in the bioethanol sector is also envisaged in the Benelux but not in the UK. Neither of the two UK facilities, both capable of processing up to 1.1 MMT of wheat per year at full capacity, are fully operational. Additionally, the high price of wheat has seen a switch towards other grains in the sector this season, principally corn but also barley, and this trend is currently forecast to continue in MY2014/15.

EU28 wheat exports in MY2014/15 are forecast to remain high, at 25 MMT. That said, much will depend on the Ukraine situation, principally its physical ability to export, as well as the quality and availability of its grains crop. If it is of a good quality and there are not disruptions to its export business then this could compete for market share with EU28 wheat later in the season. North African demand is forecast to remain strong, particularly from both Morocco and Algeria. Egypt is also forecast to remain a significant destination for France, albeit there being some concerns in the trade regarding changes to their import quality criteria – the required moisture level content is now set at 13 per cent while the French average for MY2013/14 is 13.5 per cent.

Stock levels are currently forecast to recover marginally in MY2014/15.

## Barley

Barley European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

<b>Area Harvested</b>	12,528	12,487	12,394	12,300		12,150
<b>Beginning Stocks</b>	6,069	6,069	4,693	5,046		5,246
<b>Production</b>	54,799	54,850	59,711	59,550		55,600
<b>MY Imports</b>	66	66	100	50		50
<b>TY Imports</b>	52	52	100	50		50
<b>TY Imp. from U.S.</b>	1	0	0	0		0
<b>Total Supply</b>	60,934	60,985	64,504	64,646		60,896
<b>MY Exports</b>	4,941	4,939	5,700	6,500		4,750
<b>TY Exports</b>	6,473	6,473	4,500	6,500		4,750
<b>Feed and Residual</b>	36,000	35,500	38,500	37,500		36,500
<b>FSI Consumption</b>	15,300	15,500	15,200	15,400		15,550
<b>Total Consumption</b>	51,300	51,000	53,700	52,900		52,050
<b>Ending Stocks</b>	4,693	5,046	5,104	5,246		4,096
<b>Total Distribution</b>	60,934	60,985	64,504	64,646		60,896
1000 HA, 1000 MT, MT/HA						

The total EU28 planted barley area is forecast 250,000 Ha down on MY2013/14. A reduced planted area in the UK (following the spike in spring plantings last year), Sweden and Denmark are partly offset by increases in France and Germany. Reduced yield prospects, particularly in Spain after its record high yield in MY2013/14, mean the EU28 barley crop is currently forecast to decrease by just over 4 MMT. Of this total reduction, 1.6 MMT can be attributed to Spain, as the exceptional yields achieved in MY2013/14 will not likely be repeated, and 1.25 MMT to the UK. As previously indicated, conditions over the winter have been generally good but with a larger proportion of the EU28 barley crop being spring sown there are more unknowns at this time than for wheat. Of note are the wet soil conditions, including waterlogging in places, which have delayed spring plantings in France and the UK although a recent dry spell means these are now under way. Generally though, the prospects for the 2014 harvest are currently good.

In the current season, production is estimated at 59.6 MMT, including that record harvest in Spain. Over 5 MMT of export licenses have been granted up to the end of March and full season exports are currently forecast to reach 6.5 MMT. Of the 5 MMT exported through end-December, some of which was exported using licenses obtained in MY2012/13, over 4 MMT has been to Saudi Arabia with the main exporters – France, Germany and Romania – all reporting brisk trade.

Total feed barley usage in MY2013/14 is expected to increase by almost 1.5 MMT, most of the increase being accounted for by Spain and driven by the ample domestic supplies. FSI use is expected to be little changed in MY2013/14 but the tight balance currently indicates a low stock carry over into MY2014/15.

With exports in MY2014/15 currently forecast to reach 4.75 MMT, in the main to Saudi Arabia, and little change anticipated for FSI use, any downside to the outlook for this year's barley harvest will increase the focus on the feed number and ending stocks. At the current time, feed use is currently forecast to decrease 1 MMT with a similarly sized decline in stocks.

## Corn

Corn European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,703	9,720	9,765	9,850		9,550
Beginning Stocks	6,666	6,666	5,379	5,116		5,216
Production	58,855	58,886	64,885	64,600		64,000
MY Imports	11,351	11,358	11,000	11,500		9,750
TY Imports	11,351	11,358	11,000	11,500		9,750
TY Imp. from U.S.	20	47	0	0		0
Total Supply	76,872	76,910	81,264	81,216		78,966
MY Exports	2,193	2,194	2,000	3,000		2,500
TY Exports	2,193	2,194	2,000	3,000		2,500
Feed and Residual	53,000	53,000	56,500	54,500		52,500
FSI Consumption	16,300	16,600	17,000	18,500		18,900
Total Consumption	69,300	69,600	73,500	73,000		71,400
Ending Stocks	5,379	5,116	5,764	5,216		5,066
Total Distribution	76,872	76,910	81,264	81,216		78,966

1000 HA, 1000 MT, MT/HA

Corn production in MY2013/14 is now put at nearly 65 MMT, very much in line with previous forecasts. With the planted area only up marginally on MY2012/13, the increase of almost 6 MMT follows much improved yields in most of the EU28 following the challenging growing conditions in MY2012/13. Of particular note is the record crop seen in Romania – increased use of commercial corn hybrids versus saved seeds further helped increase yield in an already good year. The exception was France where the crop was harvested very late, with some losses. MY2014/15 production is currently forecast to decline slightly, to 64 MMT. Of note is an expected reduced planted area in Spain, in large part due to producer concerns regarding electricity costs for irrigation. Also, both Romania and Bulgaria had reported producer concerns regarding the European Commission's decision to restrict the use of three pesticides from the neonicotinoid family. In Romania, this has abated following the Ministry of Agriculture's decision to temporarily authorize the utilization of these three insecticides for a limited timeframe and subject to conditions agreed with the seeds companies. In contrast, with prices encouraging plantings, Bulgaria is expecting to see increased planting density in an effort to offset the impact of this pesticide rule change.

Corn imports are now expected to reach 11.5 MMT in MY2013/14. Due to the demand for wheat on third country markets, corn has been very competitive in feed in the current marketing year. In particular, the Benelux and Spain are reported to be incorporating corn into their feed rations at the maximum rate. Demand is also strong in the FSI sector. Hungary's newest ethanol plant, which opened in 2012, is now ratcheting up production and both the Netherlands and Poland are seeing a switch towards corn in their biofuel sectors. Demand from the industrial sector in Austria remains strong.

While Spain and Portugal are traditionally the main importers and are expected to import significant tonnages this season, both are expected to import a reduced tonnage as compared to a year earlier. The



support to the import number comes mainly from Italy and the aforementioned Benelux who are both expecting a strong import pace. Further support has also been added by the European Commission's announcement of duty free access for Ukraine (see policy section), the main source of EU28 corn supplies. That said, the political situation in that region has seen increased scrutiny by the market on the pace of their exports. At this time, there has been no disruption to trade although the market remains somewhat nervous of the longer term picture as reflected in rising futures prices. Other suppliers, but to a much smaller extent, include Brazil, Russia and Serbia as well as both Canada and the U.S. MY2014/15 is forecast to see imports fall to 9.75 MMT in large part due to a forecast decline in feed use.

With corn export licenses to end-March over 2.25 MMT, albeit on a July-June year, EU28 exports in MY2013/14 are now expected to be 3 MMT. The entire rise is due to the significant increase in availability of corn for export in Bulgaria and Romania, particularly the latter following its record harvest. In the first three months of the season, Romania has already exported over 900,000 MT of corn to destinations including Egypt, South Korea, Japan, Israel and Algeria. With Romania the key exporter and its production forecast to fall back over 1 MMT in MY2014/15 following the very favorable combination of growing factors seen this season, total EU28 exports are currently forecast to reach 2.5 MMT next season.

As indicated previously, feed consumption of corn is expected to increase in MY2013/14 due to its price competitiveness and the shortage of supply of other grains - principally wheat. Also as discussed, demand for corn in the FSI sector is expected to rise over 2 MMT, principally due to the increased industrial usage of corn in the Benelux, Hungary and Poland. While MY2014/15 is forecast to see EU28 feed use decline, FSI use is forecast to rise a further 600,000 MT - a drop in industrial usage of corn in the Netherlands more than offset by Hungary's ethanol plant reaching full capacity and Poland's corn incorporation rate remaining high. Stocks, expected to remain tight in MY2013/14, are forecast to remain so next season.

## Rye

Rye European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,364	2,346	2,606	2,550		2,400
Beginning Stocks	745	745	675	746		1,146
Production	8,745	8,691	9,957	10,100		8,600
MY Imports	98	98	100	50		50
TY Imports	68	68	100	50		50
TY Imp. from U.S.	0	0	0	0		0
Total Supply	9,588	9,534	10,732	10,896		9,796
MY Exports	113	113	100	100		100
TY Exports	122	122	100	100		100
Feed and Residual	4,400	4,350	5,000	4,850		4,400
FSI Consumption	4,400	4,325	4,400	4,800		4,400
Total Consumption	8,800	8,675	9,400	9,650		8,800
Ending Stocks	675	746	1,232	1,146		896
Total Distribution	9,588	9,534	10,732	10,896		9,796

1000 HA, 1000 MT, MT/HA						

Rye is predominantly planted in less fertile sandy regions. The main producing and consuming countries for rye in the EU28 are Germany and Poland, which account for about three quarters of the total EU28 rye market. MY2013/14 was characterized by increased area, with a particularly good yield in Germany. As such, total EU28 production is expected to have reached 10.1 MMT. The current crop is reported to be progressing well, with limited winterkill, but the low prices have discouraged plantings in Germany where the area is forecast to be down over 130,000 Ha. Production in MY2014/15 is forecast to fall 1.4 MMT, over 1.3 MMT of which is accounted for by Germany.

Around half of the rye production is used in animal feeds and MY2013/14 is expected to be no exception. Although food use in Poland continues to decline, total EU28 FSI use has been rising slowly but steadily year-on-year, supported by the growing share of rye being converted into bio-ethanol and in the form of rye-whole-plant silage in biogas digesters, mainly in Germany. Indeed, MY2013/14 is seeing a significantly increased rye use in the German bio-ethanol sector as a replacement for corn. This switch is not forecast to be repeated in MY2014/15 and a return to the long term trend is forecast.

## Sorghum

Sorghum European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	112	115	124	130		120
Beginning Stocks	14	14	18	26		26
Production	486	499	597	650		600
MY Imports	317	318	175	175		175
TY Imports	291	291	175	175		175
TY Imp. from U.S.	81	81	0	0		0
Total Supply	817	831	790	851		801
MY Exports	4	5	5	5		5
TY Exports	0	0	5	5		5
Feed and Residual	775	780	750	800		750
FSI Consumption	20	20	20	20		20
Total Consumption	795	800	770	820		770
Ending Stocks	18	26	15	26		26
Total Distribution	817	831	790	851		801
1000 HA, 1000 MT, MT/HA						

MY2007/08 saw significant interest in the sorghum market when tight supplies of feed grains saw EU28 importers - mainly in Spain, the Benelux and France – dramatically increase their purchases of mainly

U.S. sorghum to nearly 6 MMT. This opened the market's eyes to the possibility of utilizing sorghum in the EU28 feed ration in years of tight feed grain supply and so has increased the possibility of future imports. Neither MY2013/14 nor MY2014/15 are likely to see any such trade and import volumes are seen at a very low level.

## Oats

Oats European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,679	2,610	2,728	2,550		2,550
Beginning Stocks	796	796	792	799		725
Production	7,999	7,806	8,532	8,250		8,000
MY Imports	3	3	5	1		1
TY Imports	4	3	5	1		1
TY Imp. from U.S.	0	0	0	0		0
Total Supply	8,798	8,605	9,329	9,050		8,726
MY Exports	106	106	250	250		150
TY Exports	126	126	250	225		150
Feed and Residual	6,100	6,000	6,500	6,400		6,200
FSI Consumption	1,800	1,700	1,800	1,675		1,650
Total Consumption	7,900	7,700	8,300	8,075		7,850
Ending Stocks	792	799	779	725		726
Total Distribution	8,798	8,605	9,329	9,050		8,726
1000 HA, 1000 MT, MT/HA						

The four main producers of oats in the EU28 are Poland, Finland, Sweden and Spain, traditionally accounting for around 50 percent of the production. In MY2013/14, a near 50 per cent increase in the area planted to oats in the UK saw production there increase over 300,000 MT. Acreage also increased in Finland and yields were good. These two developments more than offset the price driven switch to rye in Poland, lifting total EU28 production to 8.25 MMT and temporarily halting the long-term decline. MY2014/15 is forecast to see production fall back once more. While it is worth noting that the planted area in Finland has been increasing in recent years, producers having responded to the more stable market for oats and the availability of new varieties with higher yields, the current lower prices due to the larger MY2013/14 crop means Finnish producers have yet to decide their planted area for MY2014/15. Oats can be planted late and seeds are cheap and readily available. Despite the long-term downward trend in production, the EU28 market remains underpinned by the organic industry which still has an interest in this grain for crop rotation purposes and demand for food and feed use.

Trade in oats is traditionally almost exclusively intra-EU with the minor export volume to non-EU28 countries originating from Finland and Sweden. Third country destinations are mainly Switzerland and the U.S., the latter mainly destined for horse feed. MY2013/14 has seen Canadian oat exports to the U.S. drop due to transportation issues and this is expected to see EU28 exports to the U.S. rise. Total

EU28 exports are currently forecast to reach 250,000 MT this season before returning to a more usual level in MY2014/15.

Total annual FSI use is in very slight year-on-year decline, although within the total usage for the production of bioethanol and biogas is forecast to remain steady at around 50,000 MT. The remaining production is fed to animals, a forecast 6.2 MMT in MY2014/15.

## Mixed Grain

Mixed Grain European Union	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,971	3,950	4,180	3,950		3,850
Beginning Stocks	1,289	1,289	884	869		599
Production	14,995	15,000	15,086	15,300		14,500
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	16,284	16,289	15,970	16,169		15,099
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	14,200	14,200	14,100	14,350		13,350
FSI Consumption	1,200	1,220	1,200	1,220		1,220
Total Consumption	15,400	15,420	15,300	15,570		14,570
Ending Stocks	884	869	670	599		529
Total Distribution	16,284	16,289	15,970	16,169		15,099
1000 HA, 1000 MT, MT/HA						

Mixed grain numbers include triticale and the threshed, dry seeds of wheat, barley, corn, oats, rye and sorghum grown and harvested in the same field. The main producing countries are Poland, Germany and France, together accounting for over 80 per cent of the production. In Poland, within the mixed grain total, plantings of triticale are rising but not as fast as plantings of other mixed grains are falling. As such, while the planted area in Poland is down in MY2013/14, both year-on-year and versus previous expectations, yields are up. This is the main reason for revising MY2013/14 EU28 production upwards. A further decline in area is forecast for MY2014/15, principally in Poland. With yields forecast lower in both Germany and Poland, total production is forecast down 800,000 MT. With triticale almost exclusively used in animal feed, compound use is trending upwards while on-farm feeding of mixed grain is falling due to reduced availability. The overall changes to production mean total feed use in MY2014/15 is forecast to fall 1 MMT. In addition, triticale is also used in bio-ethanol and biogas production in Germany, less so in Poland, accounting for an estimated total of about 400,000 MT. Any fluctuation in feed use is reflected in carryover stocks.

## Import Policy

The EU limits the entry of lower priced grains from non-EU countries through a system of import duties and quotas.

Under the WTO Uruguay Round Agreement, all import quotas and variable levies applied to EU imports of grains and processed cereals were fixed or ‘tariffed’ and subsequently reduced by 36 percent over the six year period of July 1, 1995 to June 30, 2001. However, under the Blair House Accord concluded between the United States and the EU in 1993, it was agreed that the difference between the grains import price (cost insurance freight [cif] duty paid in Rotterdam) and the EU’s intervention price could not be greater than 55 percent. The EU then developed a system where duties were set on the basis of separate reference prices for six grain types, and applied to imports of high quality wheat, durum wheat (high quality), durum wheat (medium quality), maize (corn), flint maize, rye and sorghum. All duties are at zero levels. More specifically, the resulting duty has been set at Euro zero/Metric Ton (MT) for durum wheat and high quality wheat since the July 1, 2010 (beginning of the 2010/11 marketing year.) The duty for corn has been calculated at Euro zero/MT since August 17, 2010 and the duty for sorghum and rye at Euro zero/MT since October 19, 2010.

Import licenses are valid for the current month plus two.

Reference grains for calculating import duties

<i>Reference variety</i>	<i>Reference market</i>	
<i>High quality wheat</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (high quality)</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Durum wheat (medium quality)</i>	<i>U.S. hard red spring No. 2</i>	<i>Minneapolis</i>
<i>Maize (corn)</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Mercantile Exchange</i>
<i>Flint maize</i>	<i>U.S. yellow corn No. 3</i>	<i>Chicago Mercantile Exchange</i>
<i>Other feed grains (rye, sorghum)</i>	<i>U.S. yellow corn No. 3 (Commission Implementing Regulation (EU) No 643/2011, July 1, 2011)</i>	<i>Chicago Mercantile Exchange</i>

Theoretical example illustrating method of calculating EU import duties

<i>(Euro/MT)</i>	<i>Representative world standard</i>	<i>EU Reference price (a)</i>	<i>World price (b)</i>	<i>FOB premium (c)</i>	<i>Freight (d)</i>	<i>Representative world price (e) = (b)+(c)+(d)</i>	<i>EU duty (a)-(e)</i>
<i>Maize</i>	<i>Chicago yellow</i>	<i>157.03</i>	<i>68.46</i>	<i>16.20</i>	<i>15.56</i>	<i>100.22</i>	<i>56.81</i>

(corn)	corn No. 3						
Notes: Reference price = EU intervention price is 1.55 times Euro 101.31							

In January 2003, the EU discontinued this system for low and medium quality wheat and barley and introduced a system of quotas to protect EU producers from lower priced Black Sea imports, the duty for which had been calculated on the basis of higher U.S. prices. As such, imports entered the EU at very competitive rates.

More specifically, for medium and low quality wheat, a maximum annual tariff rate quota (TRQ) of 3,112,030 MT was opened in 2003 for medium and low quality wheat. A country specific quota of 572,000 MT was allocated for imports originating in the United States and 38,853 MT for those originating in Canada. The remaining 2.378 million MT is split into four equal tranches of 594,000 MT each on a quarterly basis, and is open to other non-EU countries on a first come first served basis. All of these TRQs remain operational today.

In addition to these TRQs, from January 1, 2012, there has been a new *ergo omnes* (open to all) quota consisting of one tranche of 122,790 MT for medium and low quality wheat. This has been opened to take account of market loss arising from the accession of Bulgaria and Romania to the EU in 2007. The duty for imports under the quota is set at Euro 12/MT, while imports outside the quota are subject to a duty of Euro 95/MT.

For barley, the quota of 50,890 MT applies to malting barley at a duty of Euro 8/MT and a separate quota of 307,105 MT applies for other types of barley at Euro 16/MT. Barley outside the quota faces duties of Euro 93/MT.

The European Commission's Cereals Management Committee which met in November 2012 voted to suspend import duties on low and medium quality soft wheat and feed barley imported into the EU from January 2013 until the end of June 2013. The move was aimed at easing the pressure on the EU market, especially for animal feed. The suspension relates to existing tariff rate quotas, where preferential tariffs of Euro 12/MT and Euro 16/MT respectively were reduced to zero for the volumes permitted under the quota.

In addition, the Commission plans to apply an autonomous tariff measure (ATM) introducing zero import duty for 950,000 MT of wheat, 400,000 MT of corn and 250,000 MT of barley from Ukraine to apply from the end of April or beginning of May until October 31, 2014.

#### Reductions for Maize (Corn) and Sorghum – “Abatimento”

The accession of Spain to the EU resulted in the application of common EU tariff barriers to Spanish imports and the loss of competitiveness for imports from non-EU countries. An agreement between the EU and the United States allows for the import of a fixed quantity of non-EU corn and sorghum at a preferential import duty as compensation for the loss of the Spanish market. The current agreement applies to 2 million MT of corn and 0.3 million MT of sorghum.

The EU also operates a reduced tariff import quota of 500,000 MT of corn into Portugal (maximum tariff of Euro 50 per MT). Amounts are reduced by any quantity of grain substitutes (e.g. starch residues and citrus pulp) imported in the same year. Flint maize is not permitted to be included within the concession.

Following the 2004 enlargement of the EU and a subsequent agreement between the EU and the United States, the EU opened an additional annual duty-free tariff quota of 277,988 MT of imports of corn from non-EU countries. The quota has been open since July 2006.

## **Export Policy**

The EU's ability to grant export subsidies, especially on wheat, became limited by WTO export subsidy limit commitments with the implementation of the WTO Uruguay Round Agreement on Agriculture.

As a part of that Agreement, GATT signatories committed to reduce the level of budgetary expenditure on export subsidies by 36 percent and the volume of subsidized exports by 21 percent over the six year period between July 1, 1995 and June 30, 2001. At the WTO Ministerial meeting in Hong Kong in December 2005, it was agreed that all forms of agricultural export subsidy should be phased out by the end of 2013, with a substantial part already realized by 2010.

Within these constraints, the European Commission may fix refunds which enable EU exporters to compete on the lower priced world market. These may also be fixed by tender. No export refunds have been granted on grains since September 2006 and grain-based processed products since 2007.

Export licenses are mostly valid for 60 days, with some for more specialized items being valid for the current month plus four - see Commission Regulation (EC) no 1129/2007 and Commission Regulation (EC) no 1555/2007.

## **Intervention Mechanism**

EU legislation allows the EU to intervene in markets by purchasing grains from farmers and traders at an intervention price of Euro 101.31/MT, which reflects the delivered to store price at which EU purchases are made. Selling into intervention is aimed to be the market of last resort for farmers and traders. Intervention purchases may be made between November 1 and May 31 for common wheat, barley, corn, sorghum and durum wheat. Grain held in intervention stores is disposed of mainly through sale by tender onto the domestic market or for export, although a proportion is released for the most deprived people in the EU.

The intervention arrangement was abolished for rye starting MY2004/05. Guaranteed intervention quantities were reduced to zero MT for corn from MY 2009/10, durum wheat from MY 2009/10, barley from 2010/11 and rice from MY 2009/10. By reducing the guaranteed intervention quantity to zero, the EU maintains the right to reintroduce intervention if market conditions are considered to be appropriate. A guaranteed intervention quantity of three million MT at the intervention price has applied to soft wheat since MY 2010/11. When that quantity has been reached, intervention is made

through tenders or bids. In the absence of guaranteed intervention quantities, tendering procedures were introduced for barley, corn and sorghum starting from MY 2010/11.

## **Special Support Measures**

EU legislation allows for special measures in addition to intervention to be taken to support the market for grains in time of crisis. These measures would take place on an ad hoc basis and be proposed by the European Commission and decided by the Member States at the Management Committee. The transfer of grains between regions of the EU to relieve pressure is possible. For example, grain has been released occasionally from intervention to relieve animal feed shortages in drought-hit regions in the EU.

## **Biotechnology**

### Authorization of GE 1507 corn for cultivation

On September 26, 2013, the European Court of Justice (ECJ) found that the European Commission had failed to forward an application for GE 1507 corn cultivation, submitted by Pioneer Hi-Bred in 2001, in a timely manner. After not being able to reach an agreement in 2009 at the Commission's 2001/18 Standing Committee, the Commission failed to put the matter to vote in Council "without delay."

The ECJ also criticized the Commission for unnecessarily resubmitting the Pioneer application to the European Food Safety Authority (EFSA) seven times. Only two biotech products, MON 810 corn and the Amflora starch potato, have been approved for cultivation in the EU, and the cultivation application under discussion has been waiting for 12 years.

On March 3, 2014, the application was put to the General Affairs Council which gave no opinion. As pre-Lisbon rules apply in this case, the Commission is obliged to adopt the proposal. To date, the Commission has not adopted its proposal and there is speculation that it will not do so until after the Parliamentary elections in May 2014.

The Commission has asserted that the approval of another biotech crop for cultivation necessitates the introduction of a system for Member States (MS) to opt out of cultivating approved biotech crops for non-scientific reasons. EU legislation governing plant biotechnology currently allows MS to ban the cultivation of biotech crops in their territories if new scientific evidence suggests that such cultivation could be harmful to the environment, or human or animal health. Since many MS have historically used spurious science to invoke this "safeguard clause," in 2010 the Commission proposed an amendment to the legislation that would allow MS to "opt out" of cultivating approved biotech crops for non-scientific reasons. This proposal failed to achieve a consensus at Council. In March 2014, the Greek Presidency of the Council tabled a compromise proposal which includes elements that both pro- and anti-biotech Member States could accept. It seems likely that the Greek Presidency compromise proposal will be adopted during this year.

### Cultivation of MON 810 corn



Monsanto's MON 810 received its original approval for cultivation in the EU in 1998, and is currently undergoing the approval renewal process. Since 2007, the area sown with MON 810 in the EU has remained fairly stable at between 89,000 hectares and 129,000 hectares, the most significant increase taking place in Spain in 2011 and 2012. International Service for the Acquisition of Agri-biotech Applications (ISAAA) data shows that MON 810 is largely grown in Spain, the Czech Republic, Portugal, Poland, Slovakia and Romania.

*Cultivation of MON 810 corn in the EU*  
(hectares)

	2006	2007	2008	2009	2010	2011	2012
<i>Spain</i>	53667	75148	79269	76057	76575	97326	116307
<i>France</i>	-	-	-	-	-	-	-
<i>Czech Republic</i>	1290	5000	8380	6480	4680	5091	3080
<i>Portugal</i>	1250	4263	4851	5094	4868	7724	9278
<i>Germany</i>	950	2685	3173	-	-	-	-
<i>Slovakia</i>	30	900	1900	875	1248	761	189
<i>Romania</i>	-	350	7146	3244	822	588	217
<i>Poland</i>	100	327	3000	3000	3000	3000	N/A
<i>Sweden</i>	-	-	-	-	-	-	-
<i>Total</i>	57287	88673	107719	94750	91193	114490	129071

Source: ISAAA report "Global Status of Commercialized Biotech/GM Crops: 2012"

NB: Polish area is not confirmed by the public authorities

Factors discouraging farmers from cultivating biotech crops in the EU include:

- Public field registers detailing the location of commercially grown biotech crops (compulsory in most Member States);
- National cultivation bans in Austria, France, Germany, Greece, Luxembourg and Hungary;
- Stringent national coexistence measures in Belgium, Czech Republic, Germany, Hungary, Portugal, Romania and Slovakia;
- Threats by anti-biotech non-governmental organizations.

Despite these factors, many EU farming groups remain interested in using plant biotechnology because of the resultant yield benefits and cost saving.

For more information on biotechnology in the EU, see GAIN Report Number FR9142 "GAIN Report Number FR 9105 "EU 27 Agricultural Biotechnology Annual" of July 12, 2013.

## **CAP Reform**

The final CAP Reform package was approved by the European Parliament in November 2013 and the Council in December 2013. All aspects of the reform are applicable as from January 2014 with the exception of the new direct payments structure (including "green" payments and additional support for

## Appendix

[illegible]